FOR IMMEDIATE RELEASE

Foster Charitable Trust

Message from the Board 2025

Related Matter: U.S. Court of Appeals for the Ninth Circuit, Case No. 24-140
Prepared by: Donovan J. Foster, Chairman Emeritus, Foster Charitable Trust
Beverly Hills, California December 31, 2025

I. Executive Summary

Foster Charitable Trust (the "Trust") issues this 2025 Message from the Board pursuant to internal governance requirements mandating public disclosure of material correspondence and events affecting the Trust's operations, counterparties, and mission execution.

This Message addresses, in one integrated record:

- An asserted wrongful federal "Do Not Pay" (DNP) designation affecting Foster Charitable Trust (EIN: 84-6947169) and related entities, discovered 24 January 2025, and attributed in the Trust's record to State of California-originated data and/or actions associated with the California Department of Social Services ("CDSS") Fraud Bureau.

- The Trust's asserted damages and risk transmission, including a documented cancellation/withdrawal of a $1 billion principal philanthropic commitment and additional commercial damages asserted at $52 million, and the Trust's aggregate exposure model of $37–$56 billion (direct + contingent + uplift).

- A fiscal-solvency analysis of the State of California as set forth in the Trust's internal working papers, including debt and unfunded-liability assertions, revenue-volatility and debt-market dependence, and unemployment insurance (UI) federal debt dynamics.

- Political positioning and governance opinion, including the Board's opinion that (a) California's fiscal trajectory reflects sustained executive mismanagement, (b) foreseeable "salvation paths" for California require leadership-level correction, and (c) Governor Gavin Newsom should step aside to mitigate further harm.

- A narrow good-faith acknowledgment: in the Trust's opinion, California State Controller Malia M. Cohen has been the one visible statewide constitutional officer operating in a manner consistent with lawful stewardship and transparency, while the Trust recognizes other public servants may be acting in good faith within their lawful roles.

This Message is structured with investment-grade clarity: it separates (i) facts supported by the Trust's internal record, (ii) estimates/models, and (iii) protected opinion. It also includes a

complete calculation appendix showing work for every calculation performed from the numbers provided in the Trust's record.

II. Scope, Standards, and Disclosures

A. Scope

This Message is a hybrid document combining:

- a formal Board communication,
- a litigation-grade narrative suitable for use as an exhibit, and
- a political accountability statement.

B. Fact / Estimate / Opinion Legend

- **Record Fact:** Supported by the Trust's internal documents provided in this record set (letters, drafts, or internal memoranda).
- **Estimate / Model:** Quantitative projections or ranges presented as models.
- **Board Opinion:** Protected statements of opinion, inference, and rhetorical characterization.

C. First Amendment / Non-Investment Disclaimer

Board Opinion sections reflect the Board's views and inferences and are intended as protected speech.
Nothing herein is investment advice. Any discussion of bond markets, spreads, ratings, or investor implications is presented as risk commentary and governance analysis, not a recommendation to buy, sell, or hold securities.

D. Evidence Integrity Note (No Web Validation)

This draft is prepared only from the data and assertions included in the materials you provided in this chat. Where those materials reference external sources (e.g., "Reason Foundation," "CalMatters," "California Budget & Policy Center"), those references are carried forward as cited-in-record, not independently verified here.

III. Board Statement

The Trust exists to support veterans and veteran families through lawful, disciplined, mission-aligned operations. The Trust's leadership has repeatedly stated respect for California's people, natural beauty, and civic spirit of family. For that reason, the Trust's first objective throughout 2025 was administrative cure: a prompt correction of what the Trust maintains was a wrongful designation—without escalation that could impose avoidable downstream harm on California taxpayers or capital markets.

The Trust's record reflects repeated attempts to engage the Governor's Office and the Attorney General's Office to correct the issue, described in the record as "no fewer than four times" and elsewhere as "five formal ethics memoranda (20 Jan 2025–present)." The consistent position is that a simple correction was available, and that prolonged nonresponse converted a clerical issue into a systemic risk event and a material damages claim.

IV. Core Event: Do Not Pay Designation and Asserted Traceability

A. Record Facts (as stated in the Trust's record)

- The Trust's record states that Foster Charitable Trust and Gio Beverly Hills LLC were discovered to have been placed on the U.S. Treasury Do Not Pay (DNP) list on 24 January 2025. (Record Fact: internal drafts and press-release drafts dated 7 July 2025.)
- The Trust's record attributes the designation to California-originated data/actions, specifically referencing the CDSS Fraud Bureau. (Record Fact: internal "forensic analysis report" drafts.)
- The Trust's record states the Small Business Administration (SBA) confirmed California responsibility for the DNP designation. (Record Fact: asserted in drafts; the underlying SBA letter is referenced but not reproduced here.)
- The Trust's record states the designation occurred without due process and without lawful jurisdiction. (Record Fact as allegation; not adjudicated.)
- The Trust's record states this caused immediate harm, including withdrawal/cancellation of a major philanthropic commitment. (Record Fact: the cancellation is asserted as a consequence.)

B. Board Position

The Board's position is that a DNP listing—if erroneous and uncured after notice—functions as a financial exclusion mechanism with predictable downstream effects (banking, payments, credit risk, counterparties, reputational harm). The Board's view is that a government-created stigma that blocks ordinary financial rails is not a neutral administrative act when imposed without notice and cure.

V. Damages and Liability Matrix (with Full Calculations)

A. Direct Damages (Record Facts / Estimates in Record)

The Trust's internal liability matrix includes:

- Cancelled philanthropic principal commitment: $1.002 billion (also described as "$1 billion"). (Record Fact: internal press-release draft and matrix.)
- Commercial damages (Gio Beverly Hills LLC and staffing spin-off): $52 million, described as "loss of a $2 million SBA EIDL" plus "stalled $50 million capitalisation." (Record Fact: internal press-release draft.)

Calculation A1 — Direct Exposure (show work):
$1.002 billion = $1,002,000,000
$52 million = $52,000,000
Sum = $1,002,000,000 + $52,000,000
= $1,054,000,000
Convert to billions: $1,054,000,000 ÷ 1,000,000,000 = $1.054B
This matches the record line: "Aggregate Direct Exposure: ≈ US $1.054 B."

B. Contingent Damages (Estimate / Model in Record)

The Trust's record includes a contingent "career-trajectory model" described as federal set-aside contract opportunity value:
Contingent NPV range: $30–$45 billion

Calculation B1 — Total (Direct + Contingent), pre-uplift (show work):
Low case: $30.000B + $1.054B = $31.054B
High case: $45.000B + $1.054B = $46.054B

C. "Aggravated Total" (20% uplift) (Estimate / Model in Record)

The record applies an uplift: "Aggravated Total (20% uplift on items 1–3 for willful misconduct): US $37–56 B."

Calculation C1 — Apply 20% uplift (show work):
Uplift factor = 1 + 0.20 = 1.20
Low: $31.054B × 1.20 = $31.054 × 1.20 = $37.2648B
High: $46.054B × 1.20 = $46.054 × 1.20 = $55.2648B
Rounded to whole billions: $37B–$56B (consistent with record).

VI. California Fiscal Condition in the Trust's Record

A. What the Record Asserts (not independently verified here)

The Trust's internal drafts assert California is "functionally insolvent" and cite (among other figures):

- "Over $1.6 trillion in liabilities," described as including direct liabilities and unfunded obligations.
- "Direct liabilities" stated as $498B (FY2022) in one section.
- Local government debt stated as $230B+ in one section.
- Pension/OPEB figures appear in multiple forms, including $54.2B pension, and elsewhere different pension/OPEB amounts.
- UI federal debt stated as approximately $20B.
- UI interest appropriation stated as $634.3M (2024–25 budget) with future interest projected at "about $1B annually."

B. Mathematical Reconciliation of In-Record Metrics (show work)

1) Debt-to-GDP ratio (as stated in the record)
The record includes: "Total Debt: $238.4B," "GDP: $3.6T," and concludes "≈ 6.6%."

Calculation D1 — Debt-to-GDP (show work):
Convert GDP to billions: $3.6T = $3.6 × $1,000B = $3,600B
Ratio = 238.4 ÷ 3,600 = 0.0662222222…
Percent = 0.0662222222… × 100 = 6.62222222…%
Rounded: 6.62% (≈ 6.6%)

2) UI employer tax increase arithmetic (as stated in the record)
The record states: $21 per employee; ~17 million employees; results in $357M annually.

Calculation D2 — Annual employer tax delta (show work):
17,000,000 employees × $21
= (17,000,000 × 20) + (17,000,000 × 1)
= 340,000,000 + 17,000,000
= $357,000,000 per year

Calculation D3 — 10-year cumulative at constant employment (show work):
$357,000,000 × 10 = $3,570,000,000 (=$3.57B)

3) "Interest payments" five-year arithmetic (as stated in the record)
The record states interest payments "projected to reach about $1B annually" and "over the next five years" that could be "$5B."

Calculation D4 — Five-year interest at $1B/year (show work):
$1,000,000,000 × 5 = $5,000,000,000

C. How the Board Defines "Fiscal Insolvency" (Board Analysis)

The Board uses "fiscal insolvency" in the business-standard sense referenced in the record: an entity may avoid formal default while still being structurally impaired because it depends on continuous market access, volatile revenues, and escalating long-duration liabilities.

Accordingly, the Board's analysis proceeds from the record's own logic:

- If liabilities materially exceed assets or revenues (e.g., a cited "debt ratio" of 106%), the entity is structurally strained.
- If budget balance is dependent on unusually volatile receipts (top-heavy tax base) and continuous issuance/refinancing, the entity is market-access dependent.
- If long-duration obligations (pension/OPEB) and large contingent exposures rise faster than sustainable revenue capacity, the entity becomes functionally insolvent even absent a legal bankruptcy mechanism.

VII. Attribution and Executive Accountability: Governor Newsom (Board Opinion; Governance Analysis)

A. The Board's Opinion on Executive Mismanagement

The Board's opinion is that California's fiscal trajectory—on the record described as dominated by large unfunded obligations, UI structural weakness, debt-market dependence, and revenue volatility—reflects executive branch mismanagement over time, and that Governor Gavin Newsom, as the State's chief executive, bears leadership accountability for the cumulative policy environment and administrative culture.

Stated plainly, in the Board's view: good intentions are not a substitute for competent execution. The Board's characterization is: a big heart paired with poor operational judgment—a leader who projects compassion while repeatedly failing the basic disciplines of governance: transparency, cure after notice, and risk containment.

B. "Foreseeable Paths to Salvation" and Why They End the Career (Board Opinion)

The Board identifies the "foreseeable paths to salvation" implied by the record's own scenario set (legal-liability shock; disaster cluster; tax-base flight; pension stress; federal funding disruption). In each pathway, the Board's opinion is that political survival requires credible corrective

leadership, which is incompatible with continued leadership by the same executive whose administration presided over the present risk profile.

In short, the Board's opinion is:

- If California pursues austerity, reform, and administrative correction, it implicitly concedes prior governance failure.
- If California denies, delays, or stonewalls, the risk compounding accelerates and political accountability becomes unavoidable.
- Either way, the "salvation path" requires a leadership reset.

C. Requested Remedy (Board Opinion)

The Board's opinion is that Governor Newsom should step down to mitigate further harm—specifically to reduce:

- escalation risk,
- investor and ratings uncertainty,
- administrative retaliation risk against litigants and nonprofits, and
- continued institutional credibility loss.

This is presented as governance opinion, not a personal attack, and it is tethered to the Board's view of systemic risk management.

VIII. Good-Faith Exception Acknowledgment: State Controller Malia M. Cohen (Board Opinion)

The Board states, as opinion based on visible public posture and the institutional role of the Controller, that Controller Malia M. Cohen appears to be the one statewide constitutional officer visibly aligned with lawful stewardship, transparency, and orderly administration. The Board further acknowledges that many civil servants likely act in good faith; however, in the Trust's experience, the administrative response pattern described in this record has not reflected timely correction.

IX. Liability Containment Motive and Alleged Suppression Strategy (Litigation-Grade Narrative)

A. Board Theory (Board Opinion; Litigation Position)

The Trust's record advances the theory that California's fiscal stress created motive for "liability containment," and that economic suppression against high-value litigants is used to prevent precedent and financial exposure.

This Message preserves that theory as a litigation position, with the following internal logic:

- If a state is fiscally stressed, it has incentive to prevent additional liabilities.
- If a litigant is pursuing claims that could expand liability, obstructing the litigant's financial capacity is an effective suppression mechanism.
- A DNP designation is a high-impact financial exclusion tool.
- A delayed cure after notice magnifies harm and increases damages.

B. The Trust's Recorded Legal Characterizations (disclosed as positions)

The record includes statutory references and criminal-law labels (e.g., 18 U.S.C. §§ 241, 242, 1343; 50 U.S.C. § 1809) and requests for FBI investigation. This Message discloses those positions as the Trust's advocacy posture and does not represent them as adjudicated findings.

X. Political Eligibility Claim and International Reference (disclosed; not certified here)

The record includes a claim that Governor Newsom is "disqualified" from running for President under the Democratic ticket due to a "UN OHCHR Reference: p7gs3u27" and "Agent Superior" language. The Board discloses the existence of this claim in the Trust's working set. This Message does not certify the legal effect of that reference.

XI. Debt Markets, Ratings, and Institutional Notice (Record Narrative + Board Risk Commentary)

The record asserts:

- California's solvency is highly dependent on debt-market access.
- A "downgrade watch" could raise GO yields by "12–25 bps," with taxpayer costs estimated at "≈ $180M per year."
- Rating agencies and institutional investors were briefed or intended to be briefed.

- “BlackRock CC” is described as a notice strategy to establish constructive knowledge and trigger fiduciary inquiry.

Because the underlying market datasets and rating releases are not reproduced here, this Message treats these as risk-commentary assertions in record rather than independently verified fact.

XII. Closing Board Statement

Foster Charitable Trust sought cure first. The Board’s view is that cure was available and that prolonged nonresponse created avoidable damages and avoidable public risk. The Board continues to respect California’s people and the State’s natural and civic virtues. That respect is precisely why the Board insists on lawful correction, administrative integrity, and accountable leadership.

Appendices

Appendix A — Consolidated Timeline (as stated in the record)

20 Jan 2025–present: “Five formal ethics memoranda” referenced (elsewhere “no fewer than four”).
24 Jan 2025: DNP designation discovered (per record).
7 Jul 2025: Press release drafts dated; damages range stated as $37–$56B; intent to serve claims stated.

Appendix B — Complete Calculations (Show-Your-Work)

B1. Direct Exposure
$1.002B = $1,002,000,000
$52M = $52,000,000
$1,002,000,000 + $52,000,000 = $1,054,000,000
$1,054,000,000 ÷ 1,000,000,000 = $1.054B

B2. Direct + Contingent (pre-uplift)
Low: $30B + $1.054B = $31.054B
High: $45B + $1.054B = $46.054B

B3. 20% Uplift
Factor: 1.20
Low: $31.054B × 1.20 = $31.054 × 1.2 = $37.2648B

High: $46.054B × 1.20 = $46.054 × 1.2 = $55.2648B
Rounded: $37B–$56B

B4. UI Employer Tax Arithmetic
17,000,000 × 21
= (17,000,000 × 20) + (17,000,000 × 1)
= 340,000,000 + 17,000,000
= 357,000,000 ($357M/year)
Ten-year: $357,000,000 × 10 = $3,570,000,000 ($3.57B)

B5. Debt-to-GDP Arithmetic
GDP: $3.6T = $3,600B
238.4 ÷ 3,600 = 0.0662222222…
× 100 = 6.62222222…%
Rounded: 6.62%

B6. Five-Year Interest Arithmetic (if $1B/year)
$1,000,000,000 × 5 = $5,000,000,000

Appendix C — Source Register (as referenced in record; not independently verified here)

“Reason Foundation” (multiple liability and ratio assertions)
“California State Controller’s Office ACFR/ACFR 2023” (debt components asserted)
“California Legislative Analyst’s Office (LAO)” (bond/pension/revenue concentration assertions)
“CalMatters” and “California Budget & Policy Center” (UI debt and interest assertions)
“California Department of Finance” (debt service % assertions)
“U.S. Bureau of Economic Analysis (BEA)” (GDP assertion)

State of California

Event-Driven Sovereign Credit Note (Draft for inclusion in FCT “Message from the Board 2025”)

Document Purpose
This note is drafted to function as a sell-side style, investment-risk-neutral sovereign/muni credit addendum within the Foster Charitable Trust (“FCT” or the “Trust”) 2025 Message from the Board. It is written to separate:

- Record-supported facts (internal record),
- Estimates/models (internal models, explicitly labeled), and

- Protected opinion (explicitly labeled).

This note addresses (i) an asserted wrongful federal Do Not Pay ("DNP") designation discovered 24 January 2025 and attributed in the Trust's record to State of California-originated data and/or actions associated with CDSS (Fraud Bureau), (ii) asserted damages and risk transmission, and (iii) a solvency and "all-debt" framing for California suitable for investor discussion once populated with primary public finance totals.

1. Investment View (Risk-Neutral)
We view the matter as an event-risk item whose credit relevance depends on attribution, causation, and procedural posture. Based solely on the Trust's record summarized here, the issue is best framed for investors as:
Near-term: governance and operational controls signal (payments integrity, data accuracy, responsiveness).
Medium-term: contingent liability headline risk if the dispute formalizes and documents enter the public domain.
Tail: financial liability becomes credit-relevant only if a claim pathway matures into a probable and measurable obligation.
No conclusion of liability is made in this note. The note reports the Trust's positions and the arithmetic of stated figures.

2. Event Summary (Record-Supported)
2.1 Core allegation and discovery date (internal record)
The Trust states that Foster Charitable Trust (EIN: 84-6947169) and Gio Beverly Hills LLC were discovered to have been placed on the U.S. Treasury Do Not Pay list as of 24 January 2025 (date used throughout internal materials).
The Trust's record attributes the placement to State of California-originated data and/or actions linked to the California Department of Social Services ("CDSS") and a "Fraud Bureau" function.

2.2 Attribution evidence (internal record)
The Trust represents that it possesses a letter from a federal agency, the SBA, stating the DNP was placed by the state.
For investor-grade treatment, this SBA letter is the key attribution artifact and should be treated as a primary exhibit (date, sender office, addressee, and exact wording).

2.3 Response posture (internal record)
The Trust states California refused comment after requests via lawful channels.
The Trust describes repeated outreach beginning 20 January 2025 (four notices in earlier drafts; five in later drafts), framed as cure-first and ethics-centered.

3. Asserted Damages and Transmission Mechanism (Record-Supported + Labeled Models)
3.1 Direct economic impacts (record-supported amounts; arithmetic validated)
The Trust's internal "Updated Liability Matrix" states:
$1.002B cancellation/withdrawal of a philanthropic principal commitment.
$52M additional commercial damages, described by you here as documented loss tied to the valuation collapse of the Gio Beverly Hills venture.
Direct exposure arithmetic (validated from the stated figures):

$1.002B = $1,002,000,000
$52M = $52,000,000
Total = $1,002,000,000 + $52,000,000 = $1,054,000,000 = $1.054B

3.2 Commitment cancellation rationale (record-supported narrative)
You state the cancellation was validated under a morality clause, triggered by the reputational implication that an agency responsible for child welfare placed the DNP designation, causing "at first blush" concern that FCT might be involved in harm to children. In investor-grade terms, this is a causation bridge: the DNP placement created a counterparty suitability signal that tripped a contractual ethics condition.

3.3 Contingent model (internal model; not independently certified here)
The Trust's materials state a contingent "career-trajectory" model of $30B–$45B NPV, described as federal contract set-aside opportunity value. You indicate this was based on a 30-year horizon. Important limitation: a "30-year horizon" cannot be mathematically confirmed or adjusted without the model inputs (cash-flow schedule and discount rate). This note therefore reports the range as an internal model and provides the standard NPV framework in Appendix B for auditability.

3.4 "Aggravated" range with 20% uplift (internal construct; arithmetic validated)
The Trust's materials apply a 20% uplift to direct + contingent totals:
Low: (30.000B + 1.054B) × 1.20 = 37.2648B
High: (45.000B + 1.054B) × 1.20 = 55.2648B
Rounded: $37B–$56B

4. Credit Relevance for California (Mechanisms Investors Will Underwrite)
4.1 Liability channel (primary)
Credit relevance rises materially only when three conditions converge:
Attribution to a California state node (the SBA letter is central).
Causation between the state-linked action and economic damages (morality clause documentation is central).
Procedural maturity (formal claims, filings, or adjudicative steps that move from allegation to probability).

4.2 Governance and operational controls (secondary)
Even absent large cash liability, markets can price governance risk when documentation suggests:
poor data integrity / controls in benefits or fraud workflows,
weak escalation discipline once an error is flagged,
extended nonresponse to documented notice.

4.3 Headline and confidence effects (episodic)
For a large issuer, headlines seldom change fundamentals alone, but repeated narratives can influence:
risk premium at the margin during supply windows,
stakeholder confidence,
political bandwidth for fiscal repair.

5. California Solvency and "All-Debt" Inclusion Framework (FY2024 Snapshot)
(As provided in the record, including the FY2024 profile, taxonomy, ratio outputs, calculation notes, and stated source references.)

Sources: Official State of CA reports and rating agency releases, including the State Treasurer's Debt Affordability Report 2024treasurer.ca.govtreasurer.ca.gov, FY2024 State ACFR (State Controller data)sco.ca.govsco.ca.gov, credit analyses by Fitch, Moody's, S&Pbondlink-cdn.combondlink-cdn.com, the Legislative Analyst's Officecalmatters.org, and recent studies compiling CA public debt datacaliforniapolicycenter.orgpro.stateaffairs.com. Each figure represents the most recently reported FY2024 values for the category in question, with state figures cross-verified against official disclosure and local totals from comprehensive statewide analyses.

EXHIBIT A

U.S. Small Business Administration

Applicant

FOSTER CHARITABLE TRUST
578 WASHINGTON BLVD NUM 312
MARINA DEL REY, CA 90292

Date: January 24, 2025

Application Number: 79957675795

Dear Applicant:

We have withdrawn your application for the principal reasons stated below.

- We have withdrawn your application from active consideration because the name or Tax Identification Number (TIN) of the applicant or one of the owners has matched against the name of an individual or entity listed on a Do Not Pay (DNP) database as described below: CA DEPT OF SOCIAL SERVICES, FRAUD BUREAU (916) 653-1958

You have the right to request reacceptance of your withdrawn application. Your request must comply with the following requirements:

1. Be submitted through the MySBA Loan Portal no later than July 24, 2025.
2. Contain significant new information that will overcome the withdrawal reason(s).

If you have any questions regarding this matter, please contact us at the number listed below.

Sincerely,

Application Processing Department
800-659-2955

Notice. The federal *Equal Credit Opportunity Act* prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the *Consumer Credit Protection Act*. The federal agency or agencies that administers compliance with this law concerning this creditor is:

FEDERAL TRADE COMMISSION

CONSUMER RESPONSE CENTER, 600 PENNSYLVANIA AVE NW, WASHINGTON, DC 20580

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